RAJYA SABHA

Thursday, the 15th March, 1990/ 24th Phalguna, 1911 (Saka)

The House met at eleven of the clock, Mr. Chairman in the Chair.

OBITUARY REFERENCE

MR. CHAIRMAN: Hon. Members, I refer with profound sorrow to the passing away of Shri Yogendra Sharma, a former Member of the Rajya Sabha from the State of Bihar.

Shri Yoginder Sharma, who led a life of simplicity and service, passed away on March 12, 1990, at Patna after a prolonged illness. A veteran freedom fighter, Shri Sharma actively participated in the Civil Disobedience Movement during the country's struggle for independence and suffered imprisonment. Shri Sharma was awarded "Freedom Fighters' Tamra Patra" in 1972.

Born at Rahimpur in District Monghyr of Bihar in August, 1915, Shri Sharma had his education at Patna College and at the Law College, Patna. An active political and social worker, Shri Sharma worked stead-fastly for the welfare of the down-trodden and peasants. Shri Sharma had a long parliamentary career. He was a Member of the Lok Sabha from 1967 to 1970 and Rajya Sabha from 1972 to 1984.

We deeply mourn the passing away of Shri Yogendra Sharma.

I request Members to rise in their places and observe silence as a mark of respect to the memory of the departed.

(*Hon. Members then stood in silence for one minute*).

MR. CHAIRMAN: Secretary-General will convey to the members of the bereaved family our sense of profound sorrow and deep sympathy.

ORAL ANSWERS TO QUESTIONS

Black Money in circulation in the Country

*41. SHRI P.K. KUNJACHEN:
SHRI SATYA PRAKASH MALAVIYA:†

Will the Minister of FINANCE be pleased to state:

(a) what is Government's assessment about the quantum of black money at present in circulation in the country;

(b) whether this estimate has been made after the publication of the report on black money titled "Aspect of Black Economy in India" by National Institute of Public Finance and Policy in March, 1988;

(c) whether Government propose to identify the sources thereof and take steps to eliminate them; and

(d) if so, what are the details in this regard?

THE MINISTER OF FINANCE (PROF. MADHU-DANDAVATE): (a) told) A Statement is laid on the Table of the House.

†The question was actually asked on the floor of the House by Shri Satya Prakash Malaviya

Statement

(a) and (b) There is no official estimate of the amount of black money in circulation in the country. The National Institute of Public Finance and Policy have in their report titled 'Aspect of Black Economy in India' estimated the amount of black money for 1983-84 between Rs. 31,584 to 36,786 crores. The authors have, however, admitted that their estimate is based on numerous assumptions and approximations.

(c) and (d) The sources from which black money is found to be generated have no permanence as such. These keep on changing from time to time. The report by the National Institute of Public Finance and Policy has, however, identified the following sectors where black money is generally generated:

(i) Real Estate transactions;

(ii) Large scale manufacturing;

(iii) Film Industry;

(iv) The professions;

(v) Constructions; and

(vi) Smuggling.

Combating tax evasion is a continuous exercise. The Government takes necessary legislative and administrative measures as deemed appropriate from time to time to curb the generation, growth and use of black money. Some of the measures taken by the Income-tax Department include the following:

(i) Systematic survey operations;

(ii) Search and seizure operations in appropriate cases;

(iii) Verification of information by Central Information Branches in a planned manner;

(iv) In-depth investigation in a selected number of cases; and

(v) Pre-emptive purchase of immovable property by the Central Government under the provisions of Chapter XXC of the Income-tax Act in certain notified cities.

SHRI SATYA PARAKASH MALAVIYA: The Report in question also reported that the scope for making black incomes through kickbacks, cuts and commissions on Government projects, programmes and purchases is today far greater. It further says that a great deal of political finance is raised from purchases, sales and contracts awarded by different levels of Government and public sector agencies, with the orders placed abroad being particularly lucrative propositions. So, my question is, what concrete steps have been taken by the present Government to stop kickbacks, cuts and commissions on present projects and programmes?

PROF. MADHU DANDAVATE: As far as the kickbacks and commissions are concerned, the House is well aware that all possible steps are being taken to find out who are the culprits. We are confident that already some information, which has a *prima-facie* case, has come out and we are quite confident that some more information will come out and in future we will try to see that there is no recurrence of such events.

SHRI SATYA PRAKASH MALAVIYA: Have any steps been taken to unearth black money since 1989 and if so, what is the amount so recovered or unearthed?

PROF. MADHU DANDAVATE: Sir, combating black money is a continuing process. It is in stock

and it is in flow and therefore the continuous process of seizures, preventive measures etc. is continuing and even from December onwards, the process is continuing and the searches and seizures are taking place. Within two months, it will not be possible for us to give the exact volume of the amount that has been recovered.

SHRI A. G. KULKARNI: Sir, to the supplementary of my friend, Mr. Satya Prakash Malaviya, the hon. Minister has said that for kickbacks and commissions, all these enquiries etc. are being made and the result will be out. But the point is, as Mr. Dandavate, during his election meetings has said, the quantum of black money is about Rs. 40,000 crores. Actually, Sir, about the report which he has indicated, "Some Aspects of Black Money", the latest figure seems to be Rs. 80,000 crores. That is Rs. 9 crores of black money is generated per hour in this country and the total transactions, considering the total product and its sale value, how much black money would have been generated, you are aware. So, by saying that this enquiry is going on or that enquiry is going on, nothig concrete has come out. Moreover, Mr. Swamy here everyday rises and says what is Bofors, when the names are coming. So, I want to know all these kickbacks because Mr. Malaviya's intention was the sugar imports by the public sector agencies like the STC and the MMTC. So about this black money within two months, at least some indication should have come that this is the position and this is the possible step the Government is prepared to take. I want to know from him a specific answer beacuse giving vague promises, appointing committees and indicating the direction is not gotng to solve the problem. Your Government has come on a promise of clean Government. How can I appreciate that the Government is clean when nothing is coming out?

PROF. MADHU DANDAVATE: Sir, there are two aspects of this question. The first is regarding the estimate of the black money. Though the Institute of Public Finance and Policy has said, it is near about Rs. 40,000 crores, that is Rs. 37,000 odd crores, in that report, they have made it clear, this excludes the quantum of black money that would have emerged as a result of smuggling and everybody knows that the amount of black money that is generated by smuggling is almost of the same order as the black money that is generated by other sources and his estimate is perfectly all right that it is about Rs. 80,000 crores and not Rs. 40,000 crores if you take these aspects into account.

The second aspect about what concrete steps and measures we are taking, he has specifically mentioned the sugar episode. I want to assure the hon. Member that as far as the sugar import is concerned, we are at it and we are trying to find out where the responsibility can be pinned and soon it will be possible for me to lay it on the Table of the house concrete achievoments as far as that investigation is concerned.

SHRI GURUDAS DAS GUPTA: Sir, it is a most important question. So far as the stability of the economy is concerned, Prof. Dandavate knows more than many of us what pressure the black money generates in the economy and its effect on the general price level of the country. Therefore, let us not move in the beaten track of the previous Government. I understand the constraint of the Finance Minister that to say something specific here is a problem for him. But let us not speak in the way in which the previous Governmen used to speak. It is being

looked into, it is being identified. That is, present continuous tense. What is new with Prof. Dandavate? How do you like to break with the past? What is the new thing you would like to introduce? It is not a question of value-based politics. It is a question of taking some stringent measure, if not to eliminate black money because that is not possible, at least to restrain black money, to curb black money. So, what is it new that Prof. Dandavate has in mind as an economist as well as a trade-unionist, not only as the Finance Minister? I would like the Finance Minister to tell me in what way I shall demarcate him from his predecessors in the Finance Ministry. (*Interruption*). Let me conclude. The Professor seems to be very energetic. He is very energetic. I understand. But let me formulate the question. This is part (a) of the question.

Coming to part (b), black money is generated not in the country only, but in Swiss banks outside the country too. It is not enough to estimate the amount of black money in the country. We have also to see how much of black money, unaccounted money, is taken outside the country. It is not to speak of Bofors alone, it is not to identify a particular transaction. Every year, every foreign transaction. ....(*Interruption*).

SHRI A. G. KULKARNI: I did not say Bofors. I said Bofors Swamy.

SHRI GURUDAS DAS GUPTA: I do not speak to you.

SHRI G. SWAMINATHAN: Sir, he is mentioning a Member as Bofors Swamy. There is no such Member.

SHRI A. G. KULKARNI: I never said "Member". I said Bofors Swamy. Who is identifying any 'Swamy'? I never identified. I said Bofors Swamy. Chandraswami also is there.

MR. CHAIRMAN: Mr. Swaminathan is very particular about Swamy (*Interruptions*).

SHRI GURUDAS DAS GUPTA: Mr. Chairman, Sir, some Members of the Opposition have developed a peculiar reaction. Even when somebody utters the name of Bofors, there is a peculiar reaction. May be it is their common experience. Whatever it may be, part (b) of my question is: whether the Professor has any idea about the amount or volume of the black money which is smuggled out of the country and does he think that something is to be done to detect the accumulation of black money in foreign countries?

PROF. MADHU DANDAVATE: Sir, I will refer to part (b) or the second part of the question.

SHRI GURUDAS DAS GUPTA: Is part (a) inconvenient for you?

PROF. MADHU DANDAVATE: No. No. I am coming to that. It is more important. Nothing is inconvenient for me. I am not in league with blackmarketeers. As far as part (b) of the question as to how much black money is there amassed outside India and particularly in Swiss banks is concerned, you may recall, Sir, that there is one Committee of the IMF which has assessed this aspect and it has indicated that in one Switzerland bank alone, an amount of the order of Rs. 1630 crores is already kept. I do not think anybody keeps white money in Switzerland banks. So, it is the degree of the black money that is there, Rs. 1630 crores. As far as earlier questions are concerned, I may tell the hon. Member that in the past, certain methods have been used and they have not proved to be very useful: in 1946 and 1978, there were demonetisations: once, only Rs. 135 crores were brought out; in 1978, Rs. 125 crores were brought out; then there were voluntary disclosure schemes and there

also, in 1951, 1965 and 1975, we see, Rs. 267 crores were brought out. *(Interruption)*.

SHRI JAGESH DESAI: It is nothing new. It is known to all Members.

MR. CHAIRMAN: He is not going to tell us whatever is new today. He is going to tell us only on 19th.

PROF. MADHU DANDAVATE: I am coming to the point why this will not be adequate. A Special Bearer Bond Scheme can also be there. But if it fails? Rs. 1000 crores of black money has also set the reverse process of converting white into black and people started selling those bearer bonds in black market at a premium. And again, conversion was there. These traditional methods, probably, are found to be not very useful. Therefore we are trying to fix a package of measures. And I assure this House that during the Budget Session we will officially present the various options and concrete options which were raised before the House. Sir, don't take it as a leakage of Budget and ask me to go further.

MR CHAIRMAN : Now, Smt. Jayanthi Natarajan.

SHRIMATI JAYANTHI NATARAJAN : I would like to ask the hon. Minister the steps Government is proposing to take against black money. Is there any truth in the front page newspaper report that came yesterday about the Government's soft attitude to the VHP and about an Income-tax Officer who started proceedings against the VHP ? I would like to know whether the VHP is a charitable organisation or whether Income-tax Act would be applicable to the organisation ? Is it a fact that order was quashed by the Government? If so, why and secondly, is it a fact that the Government is harassing the Officer who has originally issued the Show Cause Notice and what are the reasons for transferring him to Tamil Nadu ?

PROF. MADHU DANDAVATE: Sir, I am thankful to the hon. Member. I would put the record straight. Thank you... *(Interruptions)*.... Sir, as far as.... *(Interruptions)*..I know you are our friend and you are going to help us. I hope it does not embarrass you as you are our friend. Mr. Chairman, let it be made very clear that as far as Vishwa Hindu Parishad, the summons issued to it and information sought from it and action taken by the Government are concerned, there are no political overtones at all. We have not done anything which is illegal. On the contrary, I would like to state here what the illegality is. Sir, number one, upto 1989-90, all the returns have been filed by the Vishwa Hindu Parishad as far as their accounts are concerned. The information was sought for 1990-91. For that, still the time limit is there to file their returns up to October. So there is no question of seeking information about that. Now, Sir, I am very sorry to state that one of the officers of the *Enforcement Department* without taking clearance from anyone, illegally under section 139....*(Interruptions)*...

SHRI PAWAN KUMAR BANSAL : Anyone means what ?

PROF. MADHU DANDAVATE : Generally we do not refer to the officer. If the hon. Chairman gives me the permission, I shall refer to the name...*(Interruptions)*...

SHRI PAWAN KUMAR BANSAL : The Minister was saying "without taking any clearance from anyone". I want to know what anyone means?....*(Interruptions)*...

SHRI V. NARAYANASAMY : It is within his jurisdiction..(*Interruptions*)...

PROF. MADHU DANDAVATE : I will clarify every point, Don't worry. Sir, give me enough time. I will satisfy all their doubts. I do not mean clearance from the Minister. There are certain rules and procedures. One has to see that those rules and procedures are followed. Unfortunately, Section 139(2) of the Income-tax Act, which through an amendment has already been deleted under that section, a notice was sent. This was one illegality. The second illegality was ... (*Interruptions*).... I will satisfy you on every point... (*Interruptions*)....Sir, I don't mind any number of interruptions because that will give me an opportunity to clarify more and more points. Firstly, Section 139(2) of the Income-tax Act under which the notice was given has been scrapped. Now, all the returns are sent *suo motu*. Secondly, while at the top the notice says 1989, actually the information was sought for 1990-91. For that, still up to October the time is there for the Vishwa Hindu Parishad. As far as their past arrears are concerned, they have already filed their returns. That officer, surprisingly enough, being conscious of the fact that he has applied the section which does not exist and he has done it in regard to the returns which are yet to be filed till October, that being the illegality, he himself went on leave from the day he sent that notice seeking information and since there is a *prima facie* case of manipulation and breach of the section and also the procedure, we have transferred that officer to Tamil Nadu pending further investigation. The investigation will go on and we will take firm action against anyone who has committed the breach.

SHRI G. SWAMINATHAN: I do not know why he is sent to Tamil Nadu of all the places. I would like to know the reason for that.....(*Interruptions*)...

SHRI V. NARAYANASAMY: Why did the Minister think that he should be transferred to Tamil Nadu? Is there any special sanctity behind that? ....(*Interruptions*)...

SHRIMATI JAYANATHI NATARAJAN: Sir, I wanted to know whether, according to the Minister, it is a charitable organization or not.... (*Interruptions*).... I just wanted to know whether, according to the honourable Minister, it is a charitable organization, whether the Vishwa Hindu Parishad is a charitable organization or not....(*Interruptions*)....

PROF. MADHU DANDAVATE: There is no question of expressing one's personal view. There are a number of organizations which have been listed as religious and charitable institutions and, as far as this institution is concerned, I think they have regarded themselves as a religious institution and it is a charitable institution. Now, as far as any inquiries that are to be made are concerned, if we find at a later stage or at any stage that a particular institution has given one particular aspect as the basis of their functioning and if anybody challenges that, into that inquiries can be made separately. But, as far as the records, which were taken from the previous Government ....(*Interruptions*)....are concerned, it is treated as an institution of a religious nature.

MR. CHAIRMAN: Now, Mr. G. Swaminathan.

PROF. MADHU DANDAVATE: It is a charitable institution. But, Mrs. Jayanthi Natarajan, dont be uncharitable in attributing motives ...*(Interruptions)* ...

SHRI G. SWAMINATHAN: Sir, as per the list given by the honourable Minister, so many points have been listed, about six, I think, which are the causes for the generation of black money. But I find that two important items have been omitted from this. One is official corruption and the other is political corruption. Official corruption is very important. The more powers you are giving to the officers, the more corrupt they become and this official corruption becomes the cause of black money. In this, it is always the honest man who suffers and the dishonest man always gets the benefits. Normally, what happens now is this: In every household, people are talking about how a person gets more money and it is being asked, "When everybody is making money through corruption, why can't you also become corrupt and earn more money?". When there is a marriage proposal, they immediately ask, "How much does the boy get officially and how much does he get by way of corruption?". This is what is happening in every household. If a person is getting about two thousand rupees in the Police Department, they ask how much he is getting through other sources and then the marriage is settled.

SHRIMATI JAYANTHI NATARAJAN: How much is it in the case of a Minister in Tamil Nadu?...*(Interruptions)*...

SHRI G. SWAMINATHAN: What I am saying is that this has led to the complete collapse of the very morality of the people and the entire social fabric has been affected by this. Now, there is the Indira Vikas Patra and everybody invests in it. So, the black money is invested in it and everything is becoming white. The Indira Vikas Patra was introduced for the purpose of encouraging savings by the earlier Finance Minister. Now this has become a very good way for investing the black amoney and making it white. Black money cannot get interest. But, under this scheme, black money is invested and it also earns an interest of 15 per cent or so and every five years it gets multiplied. This has become a channel for the black money to become white. Not only you invest your black money, but also you get interest on that. I think in this way the difference between black money and white money has gone now. Now, Sir, in the whole world, India is the only country where the largest amount of black money exists, except Italy. This is what I am told.

MR. CHAIRMAN: What is your question?

SHRI G. SWAMINATHAN: Sir, a suggestion has been made that the Inome-Tax itself should be abolished. Once you abolish the Income-tax there will be no question of black money and white money business.

MR. CHAIRMAN : Please put your question.

SHRI G. SWAMINATHAN : If you bring in the Expenditure Tax you can abolish the Income-Tax. A suggestion has been made. You do away with the income-tax. There was a committee which went into it. I was a member of that committee. The committee examined this question very seriously. I want to know whether the Minister will take up this matter and examine

whether it is possible to abolish income-tax and bring in expenditure tax.

MR. CHAIRMAN : He is examining all these questions and he will give an answer.

PROF. MADHU DANDAVATE : It is only a suggestion for action. His last suggestion is to avoid income-tax evasion we should avoid income-tax itself. The further radical suggestion will be to stop evasion of income-tax incomes themselves can be avoided. Even that could be a suggestion. We will consider all these suggestions.

श्री महेन्द्र सिंह लाठर : श्रीमन् मंत्री जी ने कहा कि इन्कम टैक्स एबालिश नहीं किया जा सकता है । लेकिन नम्बर एक और नम्बर दो के पैसे के चक्कर में सारा देश पड़ा हुआ है । इन्कम टैक्स रेटस को इतना कम कर देना चाहिए ताकि सभी उसको विलिंगली दे सकें । अगर ऐसा होगा तो मैं समझता हूं कि ब्लैक मनी पैदा नहीं होगी । क्या मंत्री जी मेरे इस सुझाव के ऊपर गौर करेंगे ।

PROF. MADHU DANDAVATE : I do not want to commit a breach of privilege.

SHRI JAGESH DESAI : When the present Prime Minister was the Finance Minister we were daily reading in the newspapers such and such business house was raided, such and such seizures took place, and so on. Since the last three months except once I have never read such news. I would like to know from the honourable Minister whether he has stopped the raids of the houses of big traders and hoarders now. There is no mention of any raids in this report. Is it because these big traders and hoarders are sympathetic with the BJP that this Government is soft towards them? I want to know what harsh action has been taken against these persons? Has anybody been arrested for generating this type of black money I would like to know whether any person has been arrested and how many raids have been made in the last three months and what action the Government has taken.

PROF. MADHU DANDAVATE : I may just read out the figures that are available and I think that will answer his doubt.

1989-90 up to February, 1990 : No. of searches conducted, 3059 ; value of assets seized, Rs. 92.98 crores; average seizure per search, Rs. 3.04 lakhs; amount of concealed income surrendered , Rs. 142.65 crores. . . .

SHRI JAGESH DESAI : When Rajiv Gandhi was the Prime Minister, the amount was more than what it is during V.P. Singh's Government.

MR. CHAIRMAN : He wants to know how many raids have been done.

SHRI S. S. AHLUWALIA What is your 100 days' achievement?

PROF. MADHU DANDAVATE : I have given you figures for 1989-90, up to February, 1990.

If you like, I will read out that report. The deterrent measures have been stepped up over the years for discouraging tax evasion, as is evident from the figures relating to search and seizure, survey and prosecution. During the current financial year there has been a setback in the number of search operations. . . . (*interruptions*)

SHRI S. S. AHLUWALIA : What about these 100 days ?

PROF. MADHU DANDAVATE: If honourable Members want to have a break-up for these 100 days as to how many searches have been conducted, I will lay that figure on the Table of the House. I have given the entire figures. For the 100 days I will lay it on the Table of the House.

MR. CHAIRMAN: He will lay it on the Table of the House. He requires notice for it.

PROF. MADHU DANDAVATE : I don't need notice for it. I take this as notice and I shall lay it on the Table of the House.

RBI Governor's Suggestion to Government on Waiving of Farm Loans

*42. DR. RATNAKAR PANDEY :†
SHRI SATYA PRAKASH MALAVIYA :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Governor of Reserve Bank of India has written to Government against generalised waiver of farm loans ;

(b) whether it is also a fact that waiving of loans to poorer sections upto Rs. 10,000/- will result in loss of Rs. 14,000 crore to the banking industry ;

(c) if so, the manner in which banking industry is proposed to be helped to meet this deficit ; and

(d) what is the exact amount of loan expected to be written off against the farmers by each bank during the current year ?

†The question was actually asked on the floor of the House by Dr. Ratnakar Pandey.

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE) : (a) to (d) The precise estimates of the amounts involved and the modalities for implementing the Scheme relating to debt relief to farmers are being worked out. Consultations are taking place with the Reserve Bank of India/NABARD in working out the modalities, and these discussions can not be disclosed on this stage.

डा० रत्नाकर पाण्डेय : माननीय सभापति जी, यह खुली सरकार है और खुली सरकार के वित्त मंत्री का गुप्त उत्तर अभी प्राप्त हुआ है । मैं नहीं समझता हूं कि डिफेंस से संबंधित कोई रहस्यमय मामला है । इस सरकार के जनता के बीच में चुनाव लड़ने वाले संयुक्त मोर्चे ने घोषणा की थी कि दस हजार रुपये के कर्ज माफी हम करेंगे और उस पर रिजर्व बैंक ने...

श्री अरविन्द गणेश कुलकर्णी भाई, वह तो देवी लाल ने किया था ।

डा० रत्नाकर पाण्डेय :... आपत्ति उठाई है । रिजर्व बैंक कोई प्राइवेट एजेंसी या कनसर्न नहीं है, बल्कि भारत की जनता की धनराशि से निर्मित सब से बड़ी हमारी टकसाल है और रिजर्व बैंक इस पर आपत्ति कर रहा है । ग्रामीण विकास बैंक के साथ, माननीय मंत्री जी, विचार-विमर्श कर रहे हैं ।

मैं जानना चाहता हूं कि दस हजार रुपये कर्ज माफी हेतु, वित्त मंत्री जी की अध्यक्षता में क्या कि सी कमेटी का गठन किया गया था वह कमेटी अभी तक किसी नतीजे और नहीं पहुंच सकी है कि कर्जे की पर कितनी राशि किस रूप में म कुल जानी चाहिए और अभी तक वि फ की ने क्या कार्यवाही की है ? कमेटी